

Call Participants

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Jimmy Bhullar (JPM) Good morning, everyone. Thanks for joining the call. I hope you're well. This is part of our CIO call series where we discuss the views on the credit markets and on investment portfolios with the chief investment officer of a major life insurance company. So thanks also to the Voya team and to Matt Toms, Chief Investment Officer, for participating in the call. For those of you who don't know Matt, he was appointed as the Global CIO of Voya in October 2022. And prior to that was the CIO of Fixed Income at Voya Investment Management. Don Templin, CFO of Voya, is on the call as well, as is Mike Katz head of IR.

In terms of the format, I'll ask Matt his views on the overall credit environment and we'll ask him a few questions on Voya's portfolio, and we'll take your questions as well. The call should last about half an hour.

A recap of instructions for questions?

Moderator Absolutely. To ask a question, please press star then one on your telephone keypad. If you do change your mind, please press star two. As a reminder, hit star followed by one to register your question today.

Jimmy Bhullar (JPM) And maybe just to start off with, Matt, can you discuss sort of your base case for the economy and how you think the macro environment is going to be over the next year or so? There are a lot of concerns about a recession. On the other hand, the labor market is actually still very strong, but what is your base case for the US economy over the rest of the year and into 2024.

Matt Toms (Voya) Thanks, Jimmy. I think really, it's best framed as you set it up as a tug of war. You have offsetting forces. History tells you when rates rise this quickly that the lending channels start to stall and that you have a lingering overhang of growth impulse, and that certainly is playing out through bank lending channels, particularly after recent volatility. But on the other side of the tug of war, you have an awful lot of fiscal benefits that were pushed into the economy post pandemic, through and at the end of the pandemic, that continued to buoy the consumer, and that buoyed consumer is still spending supporting the service industries and, by and large, supporting the job market. So you have a bit of a tug of war, so there's two forces that play. Over time, they're both likely to degrade, both forces, but it's not obvious that you have an imbalance that would create a major shift to one side or the other.

So our general expectation is not terribly different than consensus in that you've got more of a malaise ahead. You have to be concerned about downside potential, but the lack of an imbalance of debt from the consumer base and the company base means that an acceleration of something that feels more violent looks unlikely. And that environment obviously still wants to be quite diligent and have a higher quality portfolio, but it is also hard to currently identify what would cause a meaningful acceleration of the headwinds that the economy faces.

Jimmy Bhullar (JPM) And it is interesting in that it's one of the most telegraphed recessions if there is one, because everybody's been expecting it for a while. But if it does end up being deeper than expected, what are the things that you think could cause that to where most observers think that'll be somewhat of a mild recession, but what do you think would make it worse? And maybe mention the top two or three things that you'd be most concerned about.

Matt Toms (Voya) So what most should be concerned about is inflation not moderating, because there is a benefit coming through with this. There's a detriment to financials, but there's a benefit to the economy. If you think about the 5.25% cash rate set by the Fed versus a 370 10-year, the market is anticipating inflation rolling over for indicators of inflation and the TIPS for the swaps market really have inflation moderating to the low 2% levels pretty quickly. If that doesn't happen and central banks globally have to push further, that's only going to exacerbate that credit tightening component and the pain that it will be infused. Make no mistake, business models and assets predicated on whose value and success is predicated on ultra-low rates will be challenged and that challenge would only increase and the idiosyncratic risk would increase, so that's the fear.

You want to see inflation ebb, you're seeing a relatively slow ebb of inflation in Europe, but a faster ebb in the US. But importantly, you're seeing goods lead the way. Goods are back in core disinflation and now all eyes are on services. So inflation is clearly the number one. And then there's always the unpredictable geopolitical, for example. But in our opinion, the bigger probability is that you have an extended period of malaise, as opposed to a deeper recession. If the market is wrong on anything, it's how quickly you might come back out the other side of this. You could plausibly think that you have a drawdown that extends longer but not necessarily more severely.

Jimmy Bhullar (JPM) And then when you look at your own portfolio, what are the areas that you're most concerned about? Obviously, we get a lot of questions on commercial real estate, and we'll ask you a few questions on that as well, but what are the areas within your portfolio that you are watching the most carefully and you think are the most susceptible to losses in this environment?

Matt Toms (Voya) Right, always important. Of course, we invest through the cycle. And so while you're always looking to make tweaks, our processes is set up to ensure that we have the right income orientation relative to capital sensitivity and lack of volatility through a cycle, so we're always taking a long term view. But when you have a macro backdrop like this, you want to be skewing a bit higher in quality generally, and we look at our portfolio is at currently 96% investment grade rated or below investment grade components and 4% is the lowest ever as a public company as Voya. And those are intentional skews where you're looking to incrementally move up in quality, and we spent last year doing that. We created some headroom versus our through the cycle risk metrics, but you're never looking to massively change the risk metrics up or down aggressively. You're trying to steer this through the cycle.

And as we look forward in this cycle, what you're looking for is the downside accelerators look to be more idiosyncratic. And in regulated portfolios, you always want to fear the systemic, the correlation of risks that all move in one direction at the same time. And we step back, we don't see that risk currently from a systemic standpoint. And our balance sheet is extremely well diversified, as we've mentioned many times, thousands of different instruments and holdings and well diversified across different sectors.

The sectors that you want to be most concerned about are those that the business model is predicated on the asset valuations on extremely low rates, or an extreme patience towards financial markets demanding a return on capital. So deeply speculative business models, CCC components, for example, of the floating rate senior bank loan market broadly syndicated would be an area where you both get a higher interest cost, but also generally, by nature of the ratings, a more fragile business model.

So those are the areas that you want to be looking out for. But the core of a bond portfolio, the investment grade core in malaise or slow economic growth doesn't generally have enough to create anything systemic. And so you're looking for those fragilities. And I know we'll talk more about it, it is important to note that the value of commercial real estate is heavily dependent on the financing rates and clearly those have changed, so that's a natural area of concern. And the deeply speculative components of the bank loan market would also be an area that we would note.

But look, we're not avoiding any sectors right now. We still think there's opportunities that you can underwrite idiosyncratic risk. The fear is that it turns into systemic, but it's hard, again, for most of us to see where that systemic risk could come from right now.

Jimmy Bhullar (JPM) And then maybe on commercial real estate, you have more exposure to commercial real estate than average, although your office exposure is lower than the average firm in the life sector, but how do you think about your overall exposure to commercial real estate, both by asset classes, you've got both mortgage loans and CMBS, but then also by the various end markets, office, retail and the other industries? Just your high level views on your comfort with your CRE exposure.

Matt Toms (Voya) Right. So clearly, the right time to make sure that we're focused on the CRE exposure because of what's going on in the market. And look, we think these headwinds will persist as well. Again, everything that has a direct tie to the interest rate exposure market, and there's a change in some preference of demand in the office space. But first and foremost, we start by saying that we're principally debt. So 99% of our portfolio is built as debt, we invest in debt. We have never been skewed towards having an equity investment portfolio on the CML side. So that's a big factor in that we're starting on the debt side. And within that debt side, we have a very high quality portfolio that has generated extremely attractive returns with very low losses over many decades; a 50 plus member team that's driven fantastic value, both for our own balance sheet as well as for external clients as we have a meaningful franchise and CML.

Of that portfolio, I think there's some really important stats. There are standardized industry scores for regulatory capital and CM1 is the highest. And of this portfolio for CML, 75% is that highest CM1 rating, and 17% is CM2. So really a high quality portfolio that we've maintained over a very long period with low losses. So we feel like we're well positioned as we enter. Again, high quality will be the key for the economic headwinds that are in place.

And then also, diversification is key. So our average loan size of \$11 million across a massively diversified portfolio, that's skewed away from large trophy properties. It's a real advantage in some ways to have a general account at \$40 billion that allows you to diversify your exposure and you don't need to be targeting much larger loans, trophy properties and extremely competitive markets with lower, we think lower attractiveness over time.

So, we feel really good about how we enter with our CML portfolio. Again, 450 loans, heavily diversified, no loan over \$100 million, and an average of then just of five or six years that has had the advantage of the prior builds in real estate values. So no doubt, the equity side is experiencing pain and no doubt there will be some idiosyncratic movements, but we start from a really strong position. And as you noted, 2% of our balance sheet is in office, specifically, plus 15% of our CML portfolio. We think that skews much lower than the industry, so we feel good about our overall exposure to that component.

And, of course, we need to be diligent about our retail, our industrial exposure. It's a very well diversified portfolio, but we think we're entering with strong coverages, strong LTVs, that put us in a really good position on CML.

I'll pause there for a second because I want to pivot to the second part of your question on CMBS. But before I do that, anything more on CML right now? I don't want to confuse the issue between the two.

Jimmy Bhullar (JPM) So maybe on the office, you mentioned the LTV of 42, how often are the appraisals and our current is – 42 is even better than some of the other companies, but most light companies are in the 50% to 60% range, which provides a decent amount of cushion. But I think obviously investors are sceptical that the values are outdated, but how current are your appraisal? And do they reflect the decline or how susceptible is that loan to value to maybe being significantly higher given what's happening with office property values across the country?

Matt Toms (Voya) Look, it's fair and then you have a full appraisal process when underwriting and that's the step that we're referencing, and that's a debt service coverage ratio over two as we shared as well. Those numbers will move. I don't have an up to the second, new LTV on every property. But what I can tell you is that we look at the vintage skew and when we've been underwriting the portfolio has been built over many years and that vintage means that you had a period where you had the overall market for commercial real estate up 15% to 20% before '21/'22. And so when we step back and look at individual properties and declines, we've seen some downgrades. Our CM1 and CM2 scores take all this into account, coverage and the like. But you've had amortization, you've had prior value build and now some degradation. But our watch list process is very diligent and it still doesn't flag a lot of meaningful concerns as clearly everyone will have some individual idiosyncratic, but again, for us with an average loan size of 11 million, starting with average coverage is quite strong level, it's not something that we see creating an outside concern on our balance sheet. Really, idiosyncratic is small but quite manageable.

Jimmy Bhullar (JPM) So maybe you could touch on the CMBS because the general view that investors have is the quality of the loans that goes into CMBS maybe isn't as great as the one that companies hold on their CML books, but can you talk about your CMBS portfolio?

Matt Toms (Voya) Happy to. And they're right, in general, but there's different reasons loans will go into the different segments of the market. But in general, the ability as a CML lender to interface directly, to have the rent level data and the relationship with the borrower puts you in a strong position within the CML space. Within the CMBS space, if there is a large difference, there's a heavy skew across the rating spectrum and risk spectrum of different types of CMBS. So within our CMBS exposure, just to start, and we've shared this number before, but 97% of our holdings are NAIC1 or 2 rated. So investment grade ratings are an important starting point. And 64% of that, and this is a really important point, 64% of that is NAIC 1A, that's the AAA

equivalent. And then another 19% is NAIC 1B through G. So we're starting at a level of nearly 80% of the portfolio or actually over 80% of the portfolio, an NAIC 1 is a meaningfully different starting point than when you play down the ratings stack in CMBS, you have less enhancements and more risk that individual properties will hurt you. So the CMBS space and securitized tends to have at the higher levels NAIC1, and particularly a AAA, really nice capital consistency, you don't have as much ratings volatility as in corporate, but the risk is when you go further down into the below investment grade component where we have very little exposure.

The other thing I think is important to call out is there's an array of different types of CMBS in the world, and a meaningful amount, about a third, it actually splits roughly a third, a third, a third; a third of our portfolio is in CMBS agency deals – longer duration, backed by government agencies. That is not a question of when you get your capital, or if you get your capital back, it's a when do you get it back, it's a timing game as guaranteed by the US government AAA rated. There's no notable rating risks there.

Another third is in SASB, single asset single borrower. And to your point, Jimmy, the ability to identify the quality of a loan in CMBS conduit can be harder because it's diversified pools. But in SASB deals, single asset single borrower, you're looking at an individual issue or a property or a group of similar properties issued by one borrower that you can really look right through to the asset and you can have more precision in that. And the credit enhancement in that book for us is over 30%, 32% credit enhancement.

So again, direct line of sight visibility there is huge. And then within conduit, that's roughly a third. Again, that high quality skew is what's important there. NAIC 1 and 2, the vast majority of our exposure, is extremely well diversified across the borrower base. So when we step back, it's right for people to have some concerns about CMBS. But not all CMBS is created equal and we're disproportionately exposed to that higher quality skewed AAA. NAIC 1 was good clarity to the assets.

If you look at that whole pool, just to pre-empt the question, if you look at the entirety of our CMBS exposure, you get something around 20% exposure to office. But again, it depends on different attachment points have different deals, but pretty well exposed there and not overexposed to office in any way, shape, or form through diversification.

Jimmy Bhullar (JPM) And then either on office or just the overall CRE portfolio, can you talk about your watch list or problem loans or whatever metrics you're comfortable quantifying, and how that number might have moved over the past, let's say, three to six months as things in the commercial real estate market are getting tougher?

Matt Toms (Voya) So I'll start on the CML side. There's an annual process that all regulated companies go through on the CM scores, and we just had that updated and there was some degradation. Our RCM 3 score went up to 8, but that's still an incredibly low score. So that's a process that's scoring that service coverage. And so it's going to hit some floaters, right? And so those can hit an automated screen, but there's also caps in place where you have some floating rate real estate debt, so those caps don't go in that calculation. So you'll see some degradation because of the mechanical nature of the score across the industry. But we feel very good about the caps that are in place. Those allow the borrowers to have protection from the floating rate component.

So, we expect to see individual idiosyncratic challenges, again, that average loan size of \$11 million and diversified portfolios is a big deal. And there's nothing that's correlating right now as our watch lists are ever diligent on it, and there's more things to look for, but it's not ramping in any way, shape or form today.

I think as this plays out over time, again, we think this is a long, protracted process, you'll see some individual property noise, but we're not seeing a correlation or a meaningful increase that would guide our capital expectations. Year to date, if you look across the entire credit portfolio, including commercial real estate and beyond, you've actually had really positive outcomes or below long term trend downgrades in capital costs. We expect that to start to reverse but again, actually starting from a level that's better than the long term assumption.

Jimmy Bhullar (JPM) Rico, could you go to the lines for questions?

Moderator Thank you. We have a question on the line from Nicholas Annitto with JP Morgan.

Nicholas Annito (JPM) Good morning. I just wanted to touch on your BBB holdings given the overall macro backdrop. Maybe just discuss your comfort with the BBB book as it stands? What Voya likes about the asset class? And maybe just touch on the general makeup of the book and where it's concentrated, and if you're seeing any stress within the in the book today? Thanks.

Matt Toms (Voya) Thanks for the question, and an important one. I frame it in two ways. We've always been comfortable in the BBB realm. Really, there's a heavy skew towards corporate securities within BBB. As you probably know, the overall investment universe, the investment grade corporate bond universe is now made up of over 50% BBB issuers, as large stable companies have decided to increase leverage in a low interest rate environment. And so the general universe is now BBB.

So we prefer diversification as opposed to concentrating risk in A's, we prefer to still be diversified and the majority of the market comes from the BBB segment. So we're comfortable with BBB's, we remain comfortable over many decades in this. And also with that it's important, as I mentioned upfront, that we start with an underweight to below investment grade. So 4% below investment grade is quite a bit lower than where we see our peers being. So we start from a position of preferring to up in quality trade as opposed to being to below investment grade, where you're much more likely through periods of economic headwinds to have losses and credit migration. So that's an important point.

The other point I'd want to make is three quarters of this BBB exposure, nearly three quarters is in BBB plus and BBB flat, or the top two categories of NAIC BBB. And large corporate BBB issuers tend to migrate one step at a time. You can have elites, but the vast majority of our BBB portfolio is not to try to optimize at the edge of the cliff at BBB minus, which some portfolios can but it's never been our take, we're looking for diversification.

And lastly, I'd say that a notable amount is from our private credit team. We have a private credit franchise that is notable, it's a meaningful part of our balance sheet, but also we're an industry leader, and underwriting and managing private credit for others as well. That is nearly always a heavily BBB rated universe. You'll have some A in then there but heavily BBB, and those come with, as you know, over time, high double digits yield advantage. 70, 80 basis points is the number we've shared quite often and better downside protection due to covenants.

So that BBB asset class, particularly driven towards private credit, we think has a better downside protection, has generated excess yield over time. And while it makes our BBB look high, we think over time it actually exhibits less downside risk and definitely better than being barbell to below investment grade. So those are kind of the high level points to help understand the what and the why for BBB's.

Jimmy Bhullar (JPM) On your point on private, a lot of life companies have been increasing their exposure and investing in private, reducing the public side a little bit. And most of the companies they'll cite maybe better terms and conditions, you get paid a little bit more, the recoveries tend to be better because of flexibility to restructure their issues. But many investors are sceptical that we've been in too good of a credit environment for too long, and maybe there's more risk in the private than there's apparent or maybe there's grade inflation on the part of the rating agencies. So how do you think about sort of the overall broader private market as a whole and then also the private that you tend to participate in, the risk profile of those? Clearly, the returns are better, but the risk profile versus equivalent public securities.

Matt Toms (Voya) So I think if there's fears of great inflation, that would be, we believe, better placed on the public side, where you have a much higher component of the market is rated on the public side, almost everything's rated. And on the private side, you're either side of 50% of deals are rated and you have an internal rating and covenant structure.

Now, typically, when people rate a private credit, your rating the company strength, and we don't write the deal for the covenant strength that puts you at the table sooner. And so one of the reasons that over long term you think investment grade corporate bonds, that eventually default, would ever recover either side of 50%, 40% to 50% range is what the industry shows. And in our recoveries, when we've had defaults, which have been very limited, but over a long period and in private credits been 90% or above recoveries, and that's largely driven by covenants.

What you'll see through economic cycles is good private lenders, you may see the spread, the public's ebb and flow and they move higher and lower, and again, we're still in that 70 to 80 basis point range, but you're still protecting yourself from being primed or having priority debt put ahead of you. That's not an issue generally in investment grade privates who are protected from that. Where that's an issue, and I think people conflate the two, is in middle market below investment grade private lending and the loan to the bank bond market. That's where I think covenant degradation and potential grade inflation is more prevalent. We don't view it as prevalent or a risk in our private credit investment grade business or the industry currently.

Jimmy Bhullar (JPM) Okay. And then maybe just on the new money allocations, given the environment, where is it that you find good value now? And maybe are there any asset classes or industries that you're avoiding altogether, or reducing your money allocations versus historically?

Matt Toms (Voya) Again, there's no sectors that we're outright avoiding. We have over the last year plus taken the opportunity to increase with higher rates the book yield to portfolio while also reducing our credit intensity. And so looking for areas of investment grade public to do that. Also, agency mortgages, AAA agency mortgages, for example, are ways that with a real yield, with a 10 year at a 370 and the real yield underneath that at 1.5%, that's a meaningful change in the environment. So we have been happy to add to higher quality components that's consistent with the general skew up in quality.

But look, private credit, we think our liquidity stance is good, our capital stance is good. To the extent that there's market participants that need to pull back from private or CMLs, or areas of investment grade rated securitize, that will create opportunities for us. So we're still quite balanced, we've been looking at the higher quality more liquid end to invest, but we think the opportunity will come to that high quality liquid end, that you're not going to have to only see or be willing to go below investment grade. So still a very balanced approach with plenty of opportunities.

But the higher yield environment is helpful, because our new money investment rate is higher than our book yield. And that was the right direction without needing to stretch for credit risk.

Jimmy Bhullar (JPM) And the gap between new money and the stuff that's maturing, I'm assuming even wider than new money in portfolio yield, right? And I don't know if you're able to quantify what that is.

Matt Toms (Voya) I don't have that direct stat in front of me, but that's generally correct as you look at the longevity of that low rate environment and what's rolling off.

Jimmy Bhullar (JPM) Okay, could we go to the next question?

Moderator Thank you. We now have Pablo Singzon from JPMorgan.

Pablo Singzon (JPM) Hi. So like most other insurers, Voya has a roughly high single digit return assumption for alts. I think yours is 9% specifically. Assuming higher interest rates persist here for some time, does it change your view of expected returns for alts?

Matt Toms (Voya) Don, you might want to have a word or two on this. But in general, that's a long term assumption and there's going to be volatility around it and largely that's going to be upside. But maybe, Don, from a planning standpoint, anything you'd want to add there?

Don Templin (Voya) Yes. I think that over time, over the long term, we've been very confident and achieved that 9% rate and we continue to feel very confident over the long term for our planning purposes to continue to target that 9%. I mean, there will be periods where it'll be below and there were obviously periods where it was above, but we don't see anything right now that causes us to want to change that long term expectation.

Pablo Singzon (JPM) Okay, thanks.

Matt Toms (Voya) The only other important point there for Don's comment is it's a portfolio that's been built over quite a number of years with really good vintage diversification and diversification within LPs and investments. And so, again, the inclination to try to time your alt portfolio up and down on shorter industry trends, our approach really is to stay steady, well diversified and high quality issuers. And that vintage diversification protects you as well, from outside skews, if you're too aggressive and dialling up and down in different environments. So I think that lends to that stability of the long term assumption. Just to put a little bit more detail around that for you.

Pablo Singzon (JPM) Understood. That's helpful. And then the second question, just any updates on the NAIC discussions regarding capital charges for CLO's? And I guess, what are your views on how that could potentially affect you and even perhaps the broader industry? Thank you.

- Matt Toms (Voya) As far as models and rating skews on CLO's and in securitized in general, our view has generally been, and I think we've seen this play out in the industry, that when you're in the higher rated classes, so in CLO's we have a portfolio that is extremely skewed. I see one, CLO's are 4% of our balance sheet and 93% of that is in NAIC 1, their models are more likely to penalize things that are well below the NAIC 1 level and BBB is perhaps a hinge point, but really even below that. So our portfolios don't have a lot of fear for the broader market, it can influence the ability to get subordinated or mezzanine tranches done. I don't see that to be the current limiting factor right now. The limiting factor is availability of equity in CLO's, but for our portfolio, again, 93% NAIC 1 we don't see an impact.
- Pablo Singzon (JPM) Thank you.
- Jimmy Bhullar (JPM) And just shifting to another topic, your portfolio did not have any exposure to some of the banks that actually had problems, so Signature Bank, Silicon Valley. I think when we had done a screen, Silicon Valley exposure was less than a million dollars. So as a result, you didn't report anything major in 1Q, but we noted that you had around I think \$4 million of exposure on First Republic. Does that number seem correct? And if it is, it's fairly modest, that would that incur a write down in the second quarter, given the deal in First Republic? Some of the other companies just qualified that they do expect write offs on their First Republic bonds.
- Matt Toms (Voya) I'll start. Generally, our portfolio skews life and banks. We've always taken a very diversified approach to things that could correlate with Voya's business model. So if we think about our exposures versus peers, you're right to highlight that we're quite low and we've been very defensive in regional banks in the past de minimis exposure to those names in the press and no exposure to Credit Suisse AT1's as well. So some of the flip sides, for example, of a BBB or a securitized is what you're not investing in, and we haven't been stretching in the financials of the banking industry.
- So we've had very, very small amounts. We still have a high quality diversified portfolio within financials, but much smaller than we've used as many of our peers. And then individual securities, while small from a First Republic, you're right, can still create an impairment. But again, starting from a tiny percentage, it's well within any expectations of the broader portfolio. And just an example of 3000 plus unique investments, that diversification is key. What we're looking for is the aggregation of idiosyncratic returns systemic, and we just don't see that in our portfolio.
- Jimmy Bhullar (JPM) And then, Don, since you're on the call, I wanted to sort of see if you had any comments on how the higher rate environment and all this uncertainty about credit, what does that imply for your asset management business, both on the fixed income and the equity side? The asset managers of the group have had to be fairly closed because of the high volatility in the market, but you've been pretty optimistic given the Allianz deal about your pipeline. But is the environment created and the uncertainty related to it, is there a chance that the pipeline doesn't come to fruition or deals end up being delayed because of the uncertainty?
- Don Templin (Voya) Well, I think there's always a possibility that happens. I mean, there's headwinds in the markets that we're managing through. But you rightly referenced the AllianzGI transaction and the really significant, important impact it's having on our business. What I would say is that we can't predict what the market will do, but we have historically outperformed our

peers. And we believe with respect to the incremental capabilities and opportunity set that Allianz GI provides to us, that that outperformance will continue.

So, if the market is down slightly on flows, we still believe that we'll be performing better than them on a relative basis. And if the markets are up with flows, we also continue to believe that we'll be outperforming on a relative basis.

Jimmy Bhullar (JPM) Are there any questions on the line?

Moderator We currently have no further questions. As a reminder, it's star one to ask any questions.

Jimmy Bhullar (JPM) Maybe lastly from me, one of the things that surprised investors in your results was the expense levels being high in 1Q. What caused that and what are the implications of high 1Q expenses, on your view on expenses that you outlined for the full year?

Don Templin (Voya) So we've obviously gotten that question a number of times, and they were higher, I think, than then folks were expecting. There's really a couple of components of it. One is regular seasonality, and we always expect the first quarter expenses will be higher than other quarters. Some of that's driven by things like share based compensation. So as you well know, if there's a situation where somebody receives a grant for share based compensation and they're retirement eligible, that amount gets charged to expense immediately, rather than amortized over some period of time. So that adds to the elevated sort of expenses in the first quarter.

The other thing that happened in our first quarter was that we wanted to make sure that we were very intentional about our focus on marketing, and selling and building, continuing to build the pipeline for our future revenue growth. So there were a lot of activities around connections with our customers, prospective customers, sales and marketing, that those expenses were pulled forward into the first quarter. So that we had higher visibility and higher confidence in our ability to generate the revenues going forward.

We also recognize that maybe the market was surprised those expenses were elevated, and so we wanted to make sure that we also provided good guidance about what we were expecting for the rest of the year. And so there's going to be a meaningful reduction in second quarter expenses from first quarter, and then we expect that to be relatively flat for the rest of the year. So what I would say is our expense expectation for the full year of 2023 hasn't changed from what we had guided to at the beginning of the year. The timing of it, and when we were incurring those expenses happened to be much more front loaded, but we also feel very confident in the guidance we gave about the expense reductions going forward.

Jimmy Bhullar (JPM) Okay. And then just lastly, anything that you have gotten questions on the portfolio? Or maybe, Matt, anything else you want to highlight that hasn't come up on this call?

Don Templin (Voya) Matt, I think you've been pretty comprehensive, I think it was embedded in your comments earlier that while the team that Matt leads is very focused on our general account, we're also focused on external clients. Over 60 different companies entrust us to manage their general account and give us the opportunity to do that. And so I think this is something that we have a great, great affinity to do. And, Matt, you mentioned it many times, there are going to be idiosyncratic impacts, I'm sure. But where we're positioned just as on a relative basis is quite

good. But Matt, I don't know if there's anything else we didn't hit, but I think we've been pretty comprehensive from my perspective.

Matt Toms (Voya) I think that's right. And I think one of the big things that has the market captivated and investors of all types is the move in interest rates and the current cash rate in the front of the curve and the path forward, given how inverted the curve is. And we think the support inversion of the curve is showing a both a fear of potential that's something happens that's, that's what you have to be prepared for after a hiking cycle, but the most likely path is they actually sit here some time with the Fed at a higher level. And that should create an environment where there's also time to manage the portfolio, manage the idiosyncratic component.

Portfolios are harder to manage when you have leaps. And this move has not been categorized by a leap. While the Fed has leapt, you haven't seen the economy leap. So there's market liquidity, there's time, we're starting from a very strong position. But we would think that some of that interest rate volatility would start to subside and the fear in the bond market will start to subside with it. But we're always diligent looking for the downside tail. As a bond investor, you're always looking for what can hurt you on the downside, but we feel very confident with our starting position

Mike Katz (Voya) And maybe just one other piece. Actually, Matt, you reminded me of one other piece, Jimmy, if I might. You just talked about the tail. And we spent a lot of time thinking about this portfolio, stress testing this portfolio. And when you think about the messaging that we're getting out to investors right now around increasing the dividend to a yield of approximately 2%, being back in the market for share repurchases this quarter, we wouldn't be as loud on those particular capital management activities if we didn't have a comfort of where we are with this general account as far as what we can see right now, and we're going to continue to be prudent and disciplined around how things evolve. But I think when you just step way back, those signals I think really get at the heart of how we feel about credit and balance sheet right now where we stand.

Jimmy Bhullar (JPM) Okay, thank you. I guess we'll end the call with that. Thanks, everyone, for dialling in. And thanks to Matt, Don and Mike for participating. Have a good day, everyone. Take care.